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4 July 1966

No. 0380/66

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## INTELLIGENCE REPORT

### THE SITUATION IN SOUTH VIETNAM

State Dept. review completed

ARMY review(s) completed.

USAID review completed

DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

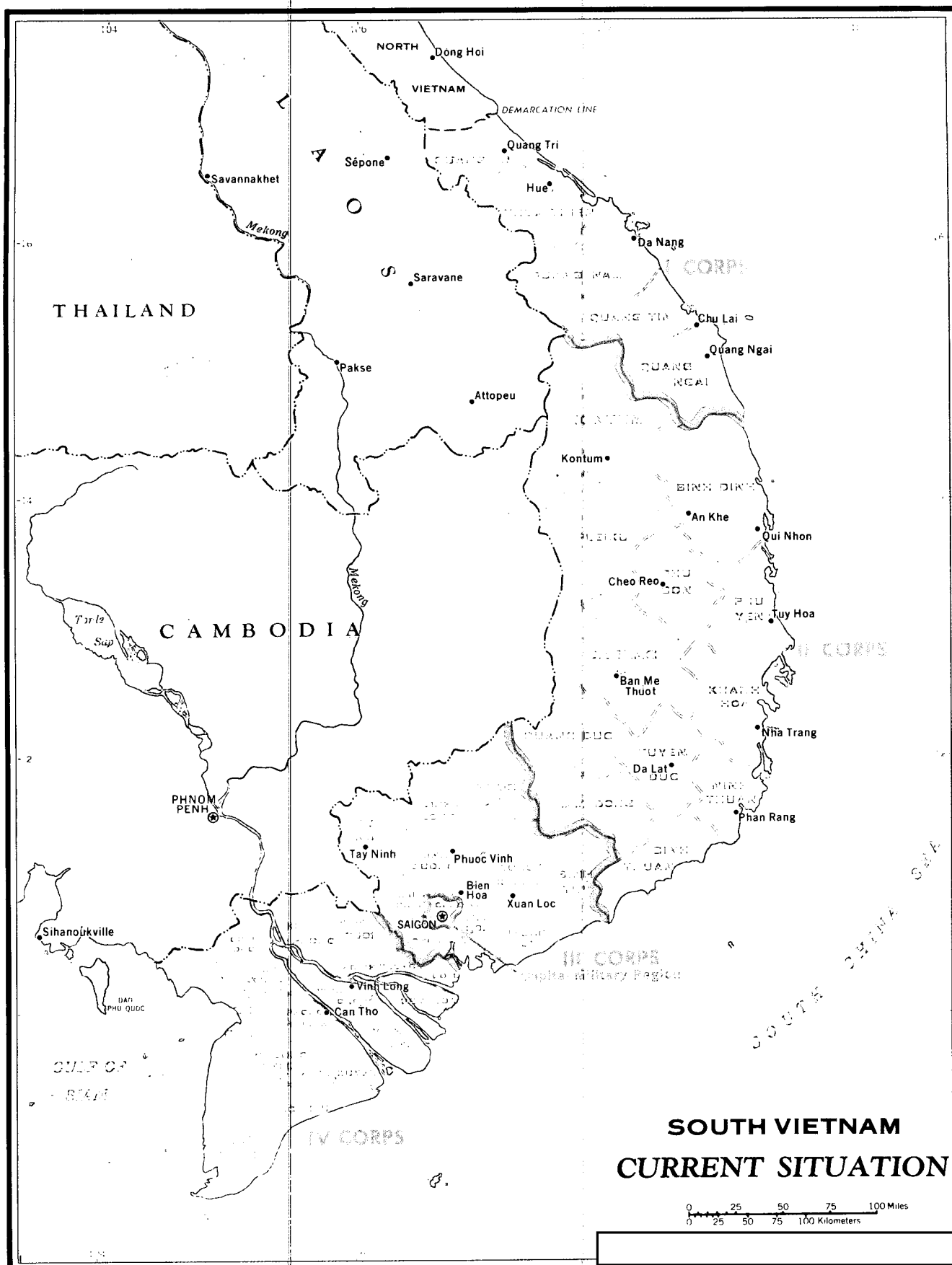
THE SITUATION IN SOUTH VIETNAM  
(27 June - 4 July 1966)

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## I. POLITICAL SITUATION

The Buddhist Institute has agreed to a temporary suspension of its antigovernment policy to permit Tam Chau to continue negotiations with the regime, but there is no clear evidence that differences between militant and moderate Buddhist leaders have been resolved. Moreover, the present period of conciliation may be offset somewhat by Premier Ky's impending cabinet reshuffle. In central Vietnam, there were few overt signs of the "struggle" movement as the government maintained firm control over the former dissident strongholds of Hue and Da Nang. Meanwhile, traditional political and religious groups have begun to organize for the constituent assembly elections in September, although the participation of the Buddhist Institute remains questionable.

### Buddhist-Government Conciliation Efforts

1. A Buddhist Institute communique, issued on 3 July and signed by chairman Tam Chau, indicates that the Institute is temporarily ceasing its policy of opposition to the Ky government. This decision, however, is subject to a future policy determination by an extraordinary assembly of the Unified Buddhist Association (UBA), of which the Institute is the executive arm. The communique called for a "minimum period"--presumably until the UBA conference convenes in two or three weeks--"during which both sides can demonstrate their good will." No specific "demonstrations of good will" were demanded of the government, although amnesty for detained Buddhist supporters is presumably a key issue, and no reference was made to earlier Buddhist demands for the resignations of Premier Ky and Chief of State Thieu.

2. The communique reflects Chau's success, for the moment, in gaining endorsement by the Institute council of his efforts to negotiate an accommodation with the government. There continues to be no firm evidence, however, that the Buddhist militants have

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been reduced to a minority position on the Institute council, or that they are ready to cooperate with government programs, including the September election. The communique, which clearly suggests that the council retains final authority for key decisions, followed two days of council discussions, including consultations with Tri Quang in the Saigon clinic where he continues his hunger strike. Comments by Buddhist sources indicate that Chau exercised considerable pressure on the hierarchy, including the implied threat of resigning his chairmanship by insisting on the extraordinary UBA assembly which could lead to a major Institute reorganization.

3. Although a plethora of letters to Tri Quang published in the Buddhist press seems intended to give him an excuse for ending his fast, a prominent Buddhist educator reported on 3 July that Quang felt he could "not yet" end his strike. While reportedly urging the source to remain aloof from politics in order to preserve the "future of Buddhism," Quang indicated that he would maintain his own political opposition for the sake of his followers who were still in prison or who had been killed. Police forces screening visitors to the clinic where Quang resides were increased last week, allegedly because of reports indicating a possible attempt on his life.

4. On 4 July, Premier Ky reportedly authorized the release of 183 persons detained during the recent Buddhist "struggle" activity. Whether or not this gesture is sufficient to cause Tri Quang to break his hunger strike, it was evidently intended as a prompt "good will" response toward Tam Chau and his moderate followers. The move was foreshadowed in two conciliatory letters Ky sent Chau last week, following the latter's public condemnation of the police raid of 23 June on the Buddhist Institute. The letters, in addition to reiterating a government promise of reparations for damage inflicted on pagodas by government troops, offered to release all non-Communists arrested during recent street demonstrations, and observed that the government advocated clemency toward military and civilian officials who supported the

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"struggle movement." Thus, as a means of giving Chau leverage for persuading a majority of the Institute to go along with a settlement, Ky had indicated that the government would fulfill at least two conditions previously raised by Chau.

5. There is no firm estimate on the total number of "struggle" supporters apprehended, but more than 200 persons were believed arrested in the Hue area alone. The government has continued to try to round up and investigate others implicated in the movement, particularly dissident army officers and civil servants and those with possible Communist ties. Although most minor officials, members of the Buddhist clergy, and rank-and-file supporters will probably obtain quick release, government leniency probably will not apply to certain key antigovernment leaders such as former Da Nang mayor Nguyen Van Man.

6. In addition, the government clearly intends to apply some form of discipline to higher ranking officers involved in the recent trouble, including General Thi and his three successor commanders of I Corps and former First Division commander Nhuan. General Thi flew to Saigon on 30 June to attend a meeting concerning the fate of all five generals.

no final decisions were taken, but the cases are under review and all will receive some form of punishment.

#### Cabinet Reshuffle Expected Soon

7. A significant reshuffling of Premier Ky's cabinet, which is reported to be imminent, has threatened to diminish the effect of Ky's conciliation efforts towards the Buddhist Institute. Among other changes, the minister of education, who has close ties to the Buddhist Institute, was to be dropped from the cabinet, in which Catholic influence is to be increased. Nguyen Luu Vien, who is not particularly popular among Buddhist Institute leaders, reportedly is to be appointed civilian vice premier in charge of the ministries of health, education, welfare, and labor. General Nguyen Bao Tri, a Catholic, is to head the Information/Chieu Hoi ministry in addition to his new duties as the armed forces' political warfare director. Several other

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new ministers to be brought into the cabinet are notable for their southern origins and for participation in the former Huong government. Postponement of the reshuffle, originally scheduled for 1 July, was apparently due to concern raised in the Directorate that the revision would appear to be a concerted move against the Buddhist Institute, further weakening the moderates. Although the education minister now will probably be retained, Buddhist leaders may still assess the new cabinet line-up unfavorably. (For other aspects of the impending cabinet changes, see Section II.)

#### Developments in I Corps

8. Police field forces from Saigon continued to maintain firm control in Hue last week, and intend to remain there at least until after the September elections. American observers have reported that undercurrents of the "struggle" movement are still present, but they doubt that the movement can significantly effect the forthcoming elections. Arrests of "struggle" supporters in the city total approximately 250 thus far.

9. In Da Nang, Buddhist activity dropped off noticeably after 24 June, corresponding with the government's seizure of radio transmitting equipment in the Buddhist Institute in Saigon. In general, residents of Da Nang appear to be awaiting developments among the Buddhist leadership in Saigon. US observers have commented that the new military mayor in Da Nang is so far doing an effective job by employing firmness and yet avoiding any incident which could be exploited by the Buddhists.

#### Election Developments

10. The government has begun to brief provincial officials on the application of the recently promulgated law under which a constituent assembly will be elected in September. It is not yet clear whether any military officers will be candidates, although the appointment of General Tri to be in charge of political activities in the armed forces may have been made with an eye to the election.

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11. Despite undercurrents of disapproval of the election and suspicion of possible government control, the approach of the 11 July deadline to filing candidacies is stimulating a flurry of activity. Political and religious groups appear to be organizing for the elections along traditional lines, with no new significant alliances evident thus far. The Catholic archbishop of Saigon reportedly has designated the presidium of the Catholic Citizens Bloc--which staged an impressive demonstration in Saigon in early June--to organize Catholic participation in the September elections. Dr. Pham Quang Dan, a well-known independent politician in the Saigon area, is also attempting to unite provincial council chairmen throughout the country to run for the constituent assembly under a common symbol. Government leaders reportedly realize that the Buddhist Institute as well as some Catholic factions may boycott the elections, but are hoping that indirect persuasion will change the attitudes of these recalcitrant groups before September.

12. A special supplement, "A Preliminary Look at South Vietnam's 1966 Election Law," is included with this issue.

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## II. REVOLUTIONARY DEVELOPMENT

Cabinet changes to be announced in the near future are expected to upgrade General Thang's ministry and give it wider control over all aspects of revolutionary development. The role of Regional and Popular forces in the success of revolutionary development programs is the concern of a program intended to strengthen and enhance their effectiveness. Meanwhile, considerable progress is being registered in a variety of US AID - sponsored programs, including agriculture, self-help, education, and rural electrification.

### Ministry of Revolutionary Development to be Upgraded

1. The Saigon government is expecting to announce cabinet changes soon that will upgrade General Nguyen Duc Thang's Revolutionary Development Ministry (MRD) to a superministry having authority over the departments of agriculture, public works, and interior, as well as over the Regional and Popular forces. These plans of the Directorate to weld all entities playing a major pacification role into a more efficient organization are viewed by US officials as logical and constructive. It is generally agreed that General Thang is one of the most efficient and least politically motivated of the military officers holding top government positions. The reorganization should help eliminate some of the past problems stemming from lack of coordination among pacification-oriented ministries that were previously independent of the revolutionary development chief.

### Regional and Popular Forces

2. The expected reorganization is also designed to help come to grips with one of the major obstacles that has faced the pacification effort since its inception: the lack of security for technical cadres

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and for the villagers with whom they live and work. The assumption of control over the Regional and Popular forces by the Ministry of Revolutionary Development, if implemented, should be a major step toward employing these paramilitary forces in a more effective pacification role. An extensive US-supported effort is under way to recruit and train additional Popular Force platoons as well as Regional Force companies.

3. Regional Force soldiers have usually operated as the province chief's own provincial guard or reaction force. They are disposed at his discretion, often fulfilling a variety of functions that range from guarding a bridge or a fuel depot to responding to a small-scale attack in some remote district. Regional Force strength as of 31 March 1966 stood at 79,244.

4. The Popular Force troops are theoretically available to provide security for revolutionary development cadres engaged in various tasks from well-digging to sponsoring hamlet elections, but they have often proved to be of questionable effectiveness. As of 31 March 1966, there were 122,105 Popular Force soldiers present for duty out of an authorized strength of 174,734. The Popular Forces have the highest desertion rate among any of South Vietnam's military services, currently running at approximately 27 per thousand. In part, this is due to the fact that Popular Forces take a disproportionately high share of government casualties because of their proximity to local guerrillas and Viet Cong troops, including both provincial and district regular units. In addition, the Popular Force, organized in platoon-size units, has relatively low status, low pay, and consequently, low motivation, among Vietnamese troops. Plans are being developed, however, to elevate the status of Popular Force soldiers, and to provide them with training similar to that received by the Peoples Action Teams (PAT) as facilities become available. They will probably be drawn upon increasingly to support provincial pacification projects.

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Status of US AID - Sponsored Programs

5. Among the multiplicity of programs administered by the United States Operations Mission (USOM) in South Vietnam are several contributing directly to the pacification program although not under joint control of the Ministry of Revolutionary Development. Considerable progress is being registered in such programs, some of which are discussed below.

6. Agriculture. At the February Honolulu Conference, General Thang listed agriculture as the civilian program most in need of attention as a means of engaging the rural population in government projects and denying the Viet Cong a target for psychological exploitation. Approximately 85 percent of South Vietnam's population is engaged in agriculture or associated activities. Every province is receiving US agricultural support, encompassing such activities as animal husbandry, fisheries, irrigation, technical training, and home economics. In the An Giang national priority area, which is serving as an experimental project, concrete results are being reported.

7. US AID plans for 1966 call for the employment of 57 provincial specialists and 448 district cadre (Vietnamese), and the training of 14,900 Vietnamese and 3,010 montagnard farmers. The major problems now facing US advisers are the shortage of training cadres and of construction materials.

8. Self-Help. Self-help is a basic form of USOM-sponsored assistance to the rural populace. Self-help projects, such as the construction of wells and one-room schoolhouses, are designed to foster local responsibility and cooperation between hamlet inhabitants and their local government officials. In practice, the people either express a desire for--or are induced to initiate--a project. They provide the labor themselves while local officials arrange for the needed construction materials--usually cement, reinforcing bars, and roofing--and technical support.

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9. Approximately 8,920 self-help projects have been completed during the 42-month period from the program's inception through 30 April 1966. Examples of completed self-help projects during early 1966 include the construction of a general store, a police outpost, a hamlet administrative office, a dispensary, and a water reservoir. US AID officials cite increasing rural enthusiasm for projects that are not directly funded but for which the community donates locally available construction materials and labor. They also note that the provincial projects are being more effectively coordinated with military civic-action programs.

10. Education. USOM assistance to the Vietnamese educational system is aimed at providing rural children with elementary and secondary school opportunities, and at developing sufficient teachers and administrators. The specific programs being undertaken by USOM are the construction of hamlet schools, the distribution of textbooks, and the training of teachers. Indicative of the expansion of educational opportunities is the fact that elementary school enrollement has nearly tripled since 1954. The goal of supplying 14,000,000 textbooks for the elementary system--thereby providing each pupil with a complete set of books--is expected to be fulfilled by September of this year. To date, nearly 4,000 classrooms have been built with USOM assistance, and the 1966 program is well ahead of the 1965 rate of achievement.

11. Rural Electrification. At the February Honolulu Conference, General Thang set forth a goal of supplying electrical power to some 30 provincial population centers. US AID reached an agreement in May to furnish 60 generators and other support facilities. Over 30,000,000 Vietnamese piastres (US \$254,237) have been released to the provinces by the MRD to begin construction. US Navy Seabee teams will assist the projects in An Giang, Vinh Long, and Tuyen Duc provinces.

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Viet Cong Defectors (Chieu Hoi).

12. Only 274 Communist defectors were registered at provincial Chieu Hoi centers during the week ending 24 June, compared to 373 the previous week. Of the 162 military personnel who defected, one was a Viet Cong Main Force platoon leader, and five were assistant platoon leaders. Returnees by corps areas were recorded as follows:

I Corps	30
II Corps	61
III Corps	76
IV Corps	107

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### III. ECONOMIC SITUATION

Although the Saigon business community remains uncertain about the new economic reforms, business activity is encouragingly close to normal levels. Importers are unhappy about the new exchange rate, but they appear to be more concerned about further changes in the import system. The US Mission is holding meetings with Minister of Economy Thanh concerning an open general licensing system for imports.

The rise in prices that was expected to follow devaluation has begun. Although the prices of gold and dollars took an encouraging downward trend during the first week following devaluation, these prices began to edge up again on 28 June, but declined slightly on 1 July. A strike by some 12,000 Vietnamese construction workers demanding higher wages partially continues. Saigon port congestion remains a serious problem and Ambassador Lodge has proposed to Premier Ky that the US military take over the operation of the port. Deliveries of rice from the delta to Saigon increased in May, but total deliveries during January-May are still well below those in the comparable period of the past few years.

#### Reaction to GVN Economic Reforms

1. The US Embassy reports that the reaction of the non-governmental press, academic, and political circles has been unfavorable to the new economic reforms. Certain groups, including some professors of economics at the University of Saigon, are evidently attempting to develop political opposition to the government on the basis of the devaluation. Minister of Economy Thanh, in particular, has come under attack. Two members of the board of the National Bank have resigned in protest against the devaluation and the fact that they were not informed of it beforehand.

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2. Although the Saigon business community remains uncertain about the reforms, the US Mission reports that business activity after the first week was encouragingly close to normal levels. The initial widespread withholding of imported commodities from the market has now diminished, and withdrawals of imported commodities from customs have increased to take advantage of the favorable exchange rate on withdrawals before 4 July. Some importers have requested amendments to import licenses held for goods not yet shipped, but the Ministry of Economy generally has refused such requests. Importers are, of course, unhappy about the change in the exchange rate, and the fact that the new rate is being applied to license applications already filed. Many importers, however, appear to be more concerned about further changes in the import system, especially the change from the former exchange allocation by quotas.

### Prices

3. The rise in prices that was expected to follow devaluation has begun, both in Saigon and the provinces, and in both domestic and imported goods. On 20 June, the US AID index of Saigon retail prices was six percent above the previous week and 13 percent above a month ago. After a further rise of two or three percent, prices appeared to be levelling off on 24 June, but new increases were reported on 28 June. (A table of retail prices in Saigon as of 20 June is included in the annex.)

4. The prices of imported commodities have followed a similar trend. Immediately following the devaluation announcement, prices of imported commodities rose substantially. By 23 June, the median increase in the price of US-financed imports was 25 percent above the previous week. Prices of these goods then leveled off as importers sought to turn over stocks in order to finance new orders. By 28 June, however, prices of imported commodities had resumed their upward trend.

5. In general, price increases have taken place mainly in meats, imported foodstuffs, and fuels. On

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28 June, the US Embassy reported that pork was unobtainable in Saigon markets and that among imported commodities, the most serious rise has been in the price of wheat flour, which was 57 percent above the price on 14 June.

6. Fortunately, the prices of rice and vegetables have been relatively steady. The price of low-grade rice, which rose to 1,150 piasters per 100 kilograms on 20 June, had fallen back to its pre-devaluation level of 1,050 piasters per 100 kilograms by 25 June. The stability of rice prices in Saigon evidently is due to the subsidized sales of US rice by the Ministry of Economy directly to retailers and consumers. From 13 to 17 June, sales under this program totalled 1,289 metric tons. The total estimated Saigon rice consumption is just under 4,000 tons a week.

7. To date, the rise in prices reportedly has not posed too great a strain on the general public. In addition to rice, several other basic commodities are being subsidized by the GVN. Details are lacking, however, on which other commodities are involved.

#### Currency and Gold

8. After reaching a peak of 462 piasters per dollar just prior to devaluation, the price of gold fell to 320 piasters per dollar on 24 June as pre-devaluation uncertainties ended and commercial banks began to sell gold to dealers under the government's economic reform program. This price of 320 piasters is close to the total price of 310 piasters at which the banks are now selling gold to dealers (249 piasters plus allowances for tax, profit, and workmanship).

9. The trend in the price of dollars has followed that of gold, falling from 270 piasters per dollar on 17 June to 200 piasters on 24 June. MPC (scrip) lost speculative interest, returning to 119 piasters per dollar compared with a peak of 155 piasters; its official rate is 118. In Hong Kong,

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the piaster-dollar cross rate was 173 on 24 June compared with 192 on 17 June.

10. After this consistent and encouraging downward trend, however, a disturbing rise of piaster and dollar rates occurred on 28 June. Gold rose from 303 piasters per dollar on 27 June to 317 on 28 June. Dollars climbed from 188 to 202 piasters, although MPCs continued to hover near the official rate of 118. Gold edged up again on 29 June but dropped slightly on 1 July. Major causes for the price rise in gold appear to be a general fear that the government will not be able to continue its sales of gold to jewelers, and that government foreign exchange holdings will be insufficient to meet demands under a liberalized import system.

#### Import System and Foreign Exchange Allocation

11. On 20 June, Minister of Economy Thanh publicly announced a total foreign-exchange allocation of US \$240 million for the third quarter of calendar year 1966. This total consists of \$160 million under the commercial-import program and \$80 million of GVN foreign exchange. The quota system will not be applied to these funds.

12. Although some new import companies will now be formed as a result of a lifting of the prohibition on increasing the number of commercial importers, present importers do not appear to be worried about a large influx of new firms. This is because the authorization of new import firms is actually quite limited. According to a recent decree, each new company will have to meet a 15-million-piaster capitalization requirement, fully paid in, and an additional 1-million-piaster cash deposit. In addition, 70 percent of the ownership of each company must consist of individuals holding Vietnamese citizenship for 15 years--thus excluding most Chinese. Entry into the import business will be closed after 30 July.

13. The US Mission is now holding meetings with Minister Thanh on open general licensing (OGL) for imports. The mission feels that this system will result in better-qualified importers, larger

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supplies, and lower prices to the consumer. Thanh agrees with OGL in principle, but insists that the only authorized new importers should be those who apply under the new decree (Para. 12). His position on this issue stems from a feeling that the GVN's stance as a protector of the Vietnamese vis-a-vis the Chinese should be preserved. It has been pointed out to Thanh that the Chinese could easily find Vietnamese fronts.

14. Although Thanh has agreed to abolish quotas, he has not specified whether a new type of restriction would replace the quota system. Moreover, he has not agreed to abolish the commodity number code system, and has stated that importers should be confined to three commodity groups, as at present, to encourage importers to become specialists in certain types of goods. When the US Mission pointed out that retention of this system would decrease competition, Thanh said he would reconsider this stand. The US Mission feels somewhat encouraged about progress to date on OGL, but remains skeptical of Thanh's over-all design for the import system.

#### Stabilization Fund

15. It is now reported that the stabilization fund referred to last week by Minister Thanh was created by decree as an extrabudgetary fund. Thanh is evidently seeking to set up a pool of funds, possibly using the 38-piaster portion of the 58-piaster equalization tax, the stated purpose of which is to stabilize the internal market and the prices of diverse imported commodities of similar quality. Thanh has stated that he plans to take action in the case of prices which rise sharply by giving rebates to relevant importers. Such a system, whether or not successful in holding down prices, may appeal to Thanh because it permits him to dispense rebates at his discretion. Thus far, the US Mission has not taken a stand for or against such a fund--also called a per-equation tax fund--and is instead concentrating on trying to get the government to raise official prices or eliminate official pricing altogether.

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### Strike of Construction Workers

16. A major development on the economic scene during the week was a strike by some 12,000 Vietnamese construction workers who demanded higher wages because of the rise in the cost of living. This strike, which began on 22 June, has halted work on several priority construction projects, including river port facilities at Saigon and new runways at Bien Hoa.

17. According to the press, labor representatives agreed to call a temporary halt to the strike on 28 June while they continued wage negotiations, with the stipulation that a settlement be reached by 15 July. Less than half of the striking laborers working on Raymond-Morrison-Knudsen construction projects around Saigon returned to work on 29 June. Workers employed by other firms initially returned to work, but left their jobs later in the day reportedly as a result of disputes within labor ranks. On 30 June, however, only 3,000 of the 12,000 workers on strike reported for work, but on 1 July, 85 percent were on the job, apparently after word spread of a wage offer which amounted to about half of their demands.

### Rice Deliveries

18. Deliveries of rice from the delta to Saigon amounted to 39,000 metric tons in May. This amount was higher than in any of the first four months of 1966, but still below the average for May from 1961 through 1965. The larger deliveries in May of this year consisted partially of rice sold to the GVN in March and April but not shipped to Saigon until May. Total deliveries of rice from the delta to Saigon from January through May amounted to 164,000 metric tons, or roughly 50 percent below the January-May average during 1961-65. (Graphics on rice deliveries and rice stocks are included in the annex.)

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### Port Operations

19. In an attempt to improve congested conditions at the Saigon port, Premier Ky on 18 April placed the port under the jurisdiction of the Ministry of National Economy. Formerly, the director of ports had reported directly to the premier. The Ministry of National Economy then issued a decree limiting commercial cargo to ten days storage time in the port. In addition, a special US task force was established at the port to help clear freight consigned to the GVN.

20. US AID now reports that none of these measures has had any appreciable effect. In spite of an acceleration in the movement of cargo through transit warehouses during the first half of June, Saigon port congestion remains a serious problem. The glut of commodities continues to pile higher in barges, on wharves, and in transit sheds. A physical inventory of the cargo in warehouses and on barges reveals that most of this cargo is consigned to private importers. To add to the confusion, a preliminary study of a US AID analyst reveals that statistics for tonnages discharged at the port have been grossly overstated for the past four months.

21. It has become apparent that drastic action will be required to break this port blockage. Consequently, Ambassador Lodge has proposed to Premier Ky that the US military take over responsibility for operating the port. The US proposal calls for an ARVN general to be appointed nominal supervisor of the port and for the US Military Assistance Command Vietnam (MACV) to schedule the discharge of cargo and to supervise in-transit warehouses at the port. Goods not claimed by consignees within a specified time would be moved by MACV to holding areas or warehouses outside the port area. US AID would assist Vietnamese customs in supervising the management of goods in such holding areas. If importers failed to take delivery of their goods quickly, these goods would be sold at auction. Although discussions are continuing, Premier Ky appears to have accepted this proposition.

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ANNEX

Weekly Retail Prices in Saigon a/  
(In Piasters)

	3 Jan 1966	31 May 1966	6 Jun 1966	13 Jun 1966	20 Jun 1966	Percent Change from Mo. Ago	Percent Change from Yr. Ago
Index for All Items <u>b/</u>	<u>160</u>	<u>166</u>	<u>164</u>	<u>173</u>	<u>185</u>	<u>+ 13</u>	<u>+ 63</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>174</u>	<u>171</u>	<u>184</u>	<u>196</u>	<u>+ 14</u>	<u>+ 73</u>
Of which:							
Rice/Soc Nau (100 kg.)	800	1,150	1,120	1,250	1,350	+ 17	+ 18
Pork Bellies (1 kg.)	70	70	70	90	90	+ 29	+ 40
Fish/Ca Tre (1 kg.)	110	110	115	130	130	+ 24	+130
Nuoc Mam (jar)	50	70	70	70	80	+ 14	+ 56
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>137</u>	<u>139</u>	<u>134</u>	<u>145</u>	<u>+ 7</u>	<u>+ 27</u>
Of which:							
Charcoal (60 kg.)	440	480	490	460	500	+ 11	+ 11
Cigarettes (pack)	10	10	10	10	10	0	+ 25
White Calico (meter)	27	26	26	27	32	+ 23	+ 29
Laundry Soap (1 kg.)	30	32	33	34	35	+ 9	+ 34

a/ Data are from USAID sources; because of USAID revisions, data for 31 May and 6 June differ from those presented in the 27 June report.

b/ For all indexes, 1 January 1965 = 100.

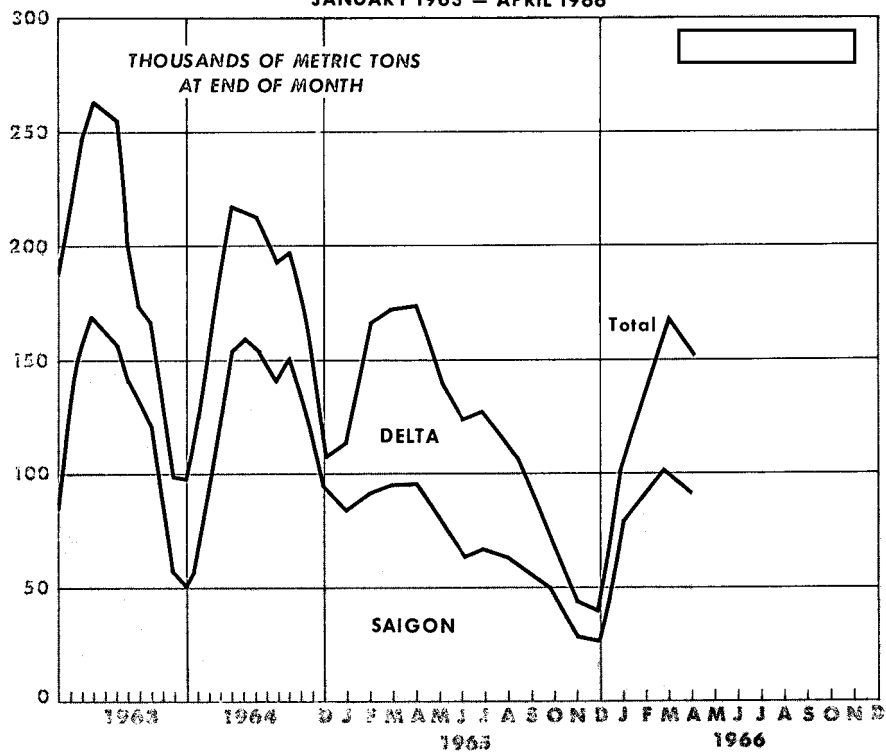
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SOUTH VIETNAM ECONOMIC INDICATORS

Rice Stocks: Saigon and Delta

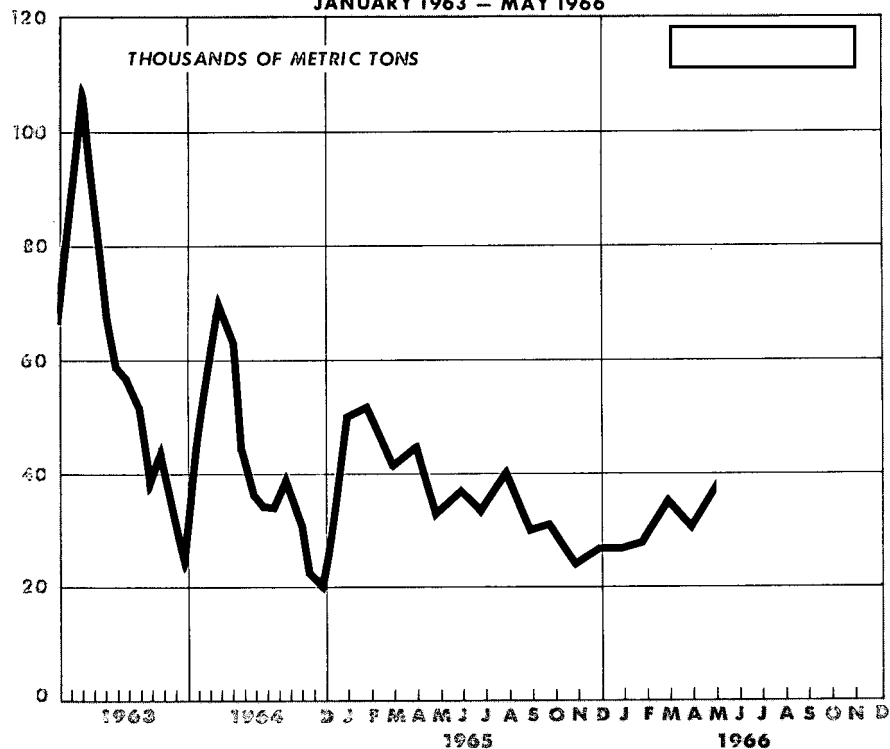
JANUARY 1963 - APRIL 1966



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Rice Deliveries from Delta to Saigon

JANUARY 1963 - MAY 1966



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SUPPLEMENTA Preliminary Look at South Vietnam's 1966 Election Law

1. The election law promulgated in Saigon on 19 June established the judicial framework and the regulations governing the election of a national constitutional assembly on 11 September this year. Under the provisions of the new law, 108 delegates will be elected to the assembly, and an additional nine individuals, of montagnard and Cham descent, will be chosen "in accordance with the traditions and customs of these compatriots." Provisions for the selection of these nine minority representatives will be spelled out in a later decree.

2. The law provides for each of the 43 provinces and six chartered municipalities to be afforded representation in the constitution-writing body. There are 52 electoral districts in all, with representation being determined on an approximate basis of one deputy per 50,000 registered voters. This base--using total electors rather than total population--was selected to provide a check against a possible electoral sweep by any well-organized minority or political group, including the Viet Cong, and points up the likelihood that the actual balloting will be limited to government-secured areas. Each of the provinces is considered to be an electoral district, with 20 of them entitled to one delegate each, 13 entitled to two each, and the remainder entitled to three or more representatives. Saigon will be divided into three electoral districts having a total of 16 delegates, while the densely populated province of Gia Dinh, which surrounds the capital city, will be split into two electoral districts with a total of ten representatives. The remaining municipalities will all send one delegate each, with the exception of Da Nang, which will be entitled to two representatives.

3. Fairly elaborate safeguards against the election of Communists, neutralists, and others considered to be enemies of the state have been incorporated into the law. Key provisions are one making it mandatory for an individual candidate

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to have complied with the regulations governing military service and another specifically forbidding the candidature of persons "who have directly or indirectly worked for the Communists, pro-Communist neutralists, or neutralists whose actions are advantageous to the Communists." The first proviso could rule out the candidacy of such men as a prominent Buddhist layman whom the government alleges has not completed his military obligations. The latter provision is even more far-ranging, and opens the possibility of injustices to individuals. However, past election laws have all provided for similar screening, and the government clearly deems it necessary to maintain some legal check against the wholesale election of Communists to the constitutional assembly.

4. In single-delegate districts, where candidates run as individuals--either under a party label or as independents--the winner will be the candidate receiving the largest total vote. Where there is list voting, however, electors cast a vote for the entire slate rather than for individual candidates. In this case, winners will be determined by a proportional representation method that is based on the slate's winning a certain quota of the total vote, arrived at by dividing the number of voters by the number of seats allotted to the district. Each slate attaining the required quota is entitled to elect one of its nominees; if unfilled seats still remain, they are allotted to the slates that have the highest remainder of votes beyond the quota.

5. This system of list voting was devised in order to prevent any well-organized group in populated provinces or cities from sweeping all of the seats in a district. The government also feels that list voting will encourage political and religious groups to form alliances and eliminate a multiplicity of small parties which could otherwise run individual candidates. Through a provision under which an entire list may be struck out if one of its candidates does not pass the screening, the government hopes to encourage sponsoring groups on their own to weed out undesirables, including possible Viet Cong candidates.

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6. Military and civil officials, and their immediate associates, have been excluded from being candidates in regions where they are presently serving or have recently served, and thus may have built up a potential political base. The law further prohibits the candidacies of persons who have been suspended, dismissed, or forced to resign from either military or civilian posts. This latter provision should effectively exclude "tainted" elements from the former Diem regime as well as more recent political dissidents.

7. Candidates for the constitutional assembly will stand for election as individuals, in the case of districts having a single delegate, or as candidates on a collective list in districts which will elect two or more delegates. In four delta provinces, Chau Doc, Kien Giang, Ba Xuyen, and Vinh Binh, one seat will be reserved for a candidate of Khmer (Cambodian) descent, and candidates in those provinces must declare for which ethnic group they are standing. Each collective list of candidates submitted by a group or party must contain as many names as there are seats being contested in the particular district, although alternate candidates may also appear on this same listing. Collective candidate lists, in addition to bearing the name of the sponsoring organization, must also contain basic data on all of the nominees. As set forth in the law, any person who is denied candidacy by the local election council may appeal his case to a state council whose decision will be final.

8. In the forthcoming election, the government will subsidize the campaigns of the candidates, as it did in the 30 May 1965 election. However, in order to discourage the "lunatic fringe" candidate, the law provides that the candidate must post a surety of VN \$10,000, which will be forfeited in the event he does not garner at least five percent of the total vote in his electoral district.

9. On balance, the new election law has the aspect of a relatively fair and realistic document that takes cognizance of the difficulties attending any election to be held in South Vietnam at the present time. Tailored to prevent the exploitation of an open election by an ever-present--but mostly invisible--enemy who is fully capable of sabotaging

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the attempt to create a constitution, the present election law includes provisions that would be intolerable at another time or under more normal circumstances. Some parts of the law, especially those relating to the screening of candidates, may result in isolated instances of injustice to individual aspirants for office as the result of actions of overzealous or unprincipled election officials. Nevertheless, the present election law affords the people of South Vietnam an opportunity to participate in a relatively open election of men who will undoubtedly play a key role in the future destiny of their country. (Map)

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